

**STANNARD TOWNSHIP  
BRUCE CROSSING, MI  
ONTONAGON COUNTY  
FINANCIAL REPORT  
With Supplemental Information**

**March 31, 2007**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Stannard Township	County Gogebic
Fiscal Year End 3/31/2007	Opinion Date 8/18/2007	Date Audit Report Submitted to State 9/25/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Roger J. Kolehmainen PC CPA		Telephone Number (906) 932-3600	
Street Address 1445 East Cloverland Drive		City Ironwood	State MI
		Zip 49938	
Authorizing CPA Signature 	Printed Name Roger J. Kolehmainen		License Number 1101011820 1617066

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### STANNARD TOWNSHIP

(Unaudited)

Year ended March 31, 2007

#### **Management's Discussion and Analysis**

This section of the Stannard Township's (Township) annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2007. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Government* and is intended to provide the financial results for the fiscal year ending March 31, 2007.

#### **Government-wide Financial Statements**

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State and Federal revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on revenue less expense basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
STANNARD TOWNSHIP  
(Unaudited)

**Fund Financial Statements**

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds**

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains two governmental funds. Information is presented separately in the government fund balance sheets and governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and Fire Fund (considered major funds). To demonstrate compliance with their adopted budget, a comparison has been provided under the "Other Financial Information" section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
STANNARD TOWNSHIP  
(Unaudited)

**Proprietary Funds**

Proprietary Funds provide services for which the Township charges customers a fee. The enterprise funds of the Township are used to report the same functions as the business-type activities in the government-wide financial statements. The Sewer Fund is presented in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. The fiduciary fund for the Township is the Tax Collection and Pension Funds. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

**Notes to Financial Statements**

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the government-wide and the fund financial statements.

**Government-wide Financial Statements-Condensed Financial Information**

**Statement of Net Assets**

The following is a condensed statement of net assets with a detailed analysis of the statement below as of March 31, 2007 and 2006.

		<u>March 31, 2007</u>	
	Governmental	Business-Type	
ASSETS	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and	\$169,027	\$94,422	\$263,449
equivalents			
Other assets	100,373	17,189	117,562
Non-current Assets			
Restricted cash			
Capital Assets, net	456,782	81,050	537,832
TOTAL ASSETS	<u>\$726,182</u>	<u>\$192,661</u>	<u>\$918,843</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS  
STANNARD TOWNSHIP  
(Unaudited)

	<u>March 31, 2007</u>		
	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
LIABILITIES			
Current Liabilities	\$109,470	\$969	\$110,439
Non-current Liabilities	135,000		135,000
TOTAL LIABILITIES	244,470	969	245,439
NET ASSETS			
Investment in capital assets net of related debt	314,782	81,050	395,832
Restricted	16,432		16,432
Unrestricted	150,498	110,642	261,140
TOTAL NET ASSETS	481,712	191,692	673,404
TOTAL LIABILITIES AND NET ASSETS	\$726,182	\$192,661	\$918,843

For governmental activities, net assets increased by \$161,542 during the fiscal year. For business-type activities, net assets increased by \$17,542 during the year.

	<u>March 31, 2006</u>		
	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and equivalents	\$183,123	\$54,506	\$237,629
Other assets	31,192	30,128	61,320
Non-current Assets			
Restricted cash			
Capital Assets, net	311,169	91,369	402,538
TOTAL ASSETS	\$525,484	\$176,003	\$701,487
LIABILITIES			
Current Liabilities	\$62,814	\$1,853	\$64,667
Non-current Liabilities	142,500		142,500
TOTAL LIABILITIES	205,314	1,853	207,167
NET ASSETS			
Investment in capital assets net of related debt	161,169	91,369	252,538
Restricted	6,449		6,449
Unrestricted	152,552	82,781	235,333
TOTAL NET ASSETS	320,170	174,150	494,320
TOTAL LIABILITIES AND NET ASSETS	\$525,484	\$176,003	\$701,487

MANAGEMENT'S DISCUSSION AND ANALYSIS  
STANNARD TOWNSHIP  
(Unaudited)

**Statement of Activities**

The results of operations for Stannard Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for both governmental and business-type activities. The following is a condensed statement of activities for the years ended March 31, 2007 and 2006.

	Governmental <u>Activities</u>	<u>March 31, 2007</u> Business-Type <u>Activities</u>	<u>Total</u>
REVENUES			
Program Revenues:			
Charges for services	\$19,928	\$36,171	\$56,099
General Revenue:			
Property taxes	32,670		32,670
State and federal grants	214,372		214,372
Other	21,725	5,787	27,512
Total Revenue	<u>\$288,695</u>	<u>\$41,958</u>	<u>\$330,653</u>
EXPENSES:			
Program Expenses:			
Governmental activities	\$127,153		\$127,153
Business-type activities		\$24,416	24,416
Total Expenses	<u>\$127,153</u>	<u>\$24,416</u>	<u>\$151,569</u>
Increase (Decrease) in Net Assets	\$161,542	\$17,542	\$179,084
Net Assets, Beginning of Year	320,170	174,150	494,320
Net Assets, End of Year	<u>\$481,712</u>	<u>\$191,692</u>	<u>\$673,404</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS  
STANNARD TOWNSHIP  
(Unaudited)

	Governmental <u>Activities</u>	<u>March 31, 2006</u> Business-Type <u>Activities</u>	<u>Total</u>
REVENUES			
Program Revenue:			
Charges for services	\$37,171	\$38,960	\$76,131
General Revenue:			
Property taxes	31,209		31,209
State and federal grants	169,765		169,765
Other	19,752	4,930	24,682
Total Revenue	<u>\$257,897</u>	<u>\$43,890</u>	<u>\$301,787</u>
Program Expenses:			
Governmental activities	\$128,736		\$128,736
Business-type activities		\$25,757	25,757
Total Expenses	<u>\$128,736</u>	<u>\$25,757</u>	<u>\$154,493</u>
Increase (Decrease) in Net Assets	\$129,161	\$18,133	\$147,294
Net Assets, Beginning of Year	191,009	156,017	347,026
Net Assets, End of Year	<u>\$320,170</u>	<u>\$174,150</u>	<u>\$494,320</u>

**Governmental Activities**

Property taxes and other tax revenues comprise \$32,481 or approximately 11 percent of total governmental revenues, whereas, the Township received State and Federal Shared revenues of \$216,497 (75%).

The Township expended \$279,674 on governmental programs and services.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
STANNARD TOWNSHIP  
(Unaudited)

**Business-Type Activities**

Business-type activities increased the Township's net assets by \$17,542. Charges for services for sewer activities for the year were \$36,171; interest income of \$2,017 and sewer assessments of \$3,770 were recognized as current year receipts. Operating expenditures amounted to \$24,416.

**Financial Analysis of Governmental Funds**

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

**Governmental Funds**

The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Township's general fund and fire fund balance sheet reported unreserved fund balances of \$120,186 and \$33,261 of which is available for spending at the government's discretion.

**Proprietary Fund**

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund as of March 31, 2007 were \$110,642.

**Capital Assets and Debt Administration**

The Township's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities as of March 31, 2007 was \$537,832.

Major capital expenditures for governmental funds were for the purchase of a water truck costing \$156,000; heating replacement (\$4,700) and lighting equipment purchases (\$3,518). The Proprietary Fund capital additions were for the purchased of computers.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
STANNARD TOWNSHIP  
(Unaudited)

The Township had \$142,500 of long-term liabilities at March 31, 2007 of which \$7,500 is reclassify as current maturity on long-term debt. This amount consists of bond payable in the financing of a fire truck.

**Other Economic Factors and Next Years Budget**

**Economic Factors**

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

**Request for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor  
Stannard Township  
PO Box 216  
Bruce Crossing, MI 49912

**Roger J. Kolehmainen CPA PC**  
1445 East Cloverland Drive  
Ironwood, MI 49938  
(906) 932-3600

## INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board  
Stannard Township  
Bruce Crossing, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Stannard Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Stannard Township as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated August 18, 2007, on our consideration of Stannard Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Stannard Township's basic financial statements. The accompanying "Other Financial Information" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ironwood, Michigan  
August 18, 2007



Roger J. Kolehmainen PC  
Certified Public Accountant

STANNARD TOWNSHIP  
STATEMENT OF NET ASSETS

March 31, 2007

	<b><u>Governmental</u></b> <b><u>Activities</u></b>	<b><u>Business –</u></b> <b><u>Type Activities</u></b>	<b><u>Totals</u></b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$169,027	\$94,422	\$263,449
Accounts receivable-net	85,234	16,297	101,531
Delinquent taxes receivable	4,491		4,491
Due from other funds	968		968
Accrued interest income	389	151	540
Deferred charges	9,291	741	10,032
TOTAL CURRENT ASSETS	\$269,400	\$111,611	\$381,011
NON-CURRENT ASSETS			
Capital assets	477,494	443,838	921,332
Accumulated depreciation	(20,712)	(362,788)	(383,500)
TOTAL NON-CURRENT ASSETS	456,782	81,050	537,832
TOTAL ASSETS	\$726,182	\$192,661	\$918,843
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$92,993	\$170	\$93,163
Accrued wages/taxes	5,819	550	6,369
Accrued interest payable	2,449		2,449
Due to other funds	709	249	958
Current maturity on long-term debt	7,500		7,500
TOTAL CURRENT LIABILITIES	\$109,470	\$969	\$110,439
NON-CURRENT LIABILITIES			
Bonds payable	142,500		142,500
Current maturity on long-term debt	(7,500)		(7,500)
TOTAL NON-CURRENT LIABILITIES	135,000		135,000
TOTAL LIABILITIES	\$244,470	\$969	\$245,439
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	\$314,782	\$81,050	\$395,832
Reserved	16,432		16,432
Unreserved	150,498	110,642	261,140
TOTAL NET ASSETS	\$481,712	\$191,692	\$673,404
TOTAL LIABILITIES & NET ASSETS	\$726,182	\$192,661	\$918,843

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP  
STATEMENT OF ACTIVITIES  
Year Ended MARCH 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	Net (Expense) <u>Revenue</u>
Governmental Activities			
General government	\$65,305	\$7,644	(\$57,661)
Public safety	34,001	4,655	(29,346)
Public works	7,455		(7,455)
Recreation and culture	11,506	7,629	(3,877)
Other	8,886		(8,886)
Total Governmental Activities	\$127,153	\$19,928	(\$107,225)
Business-type Activities			
Sewer	\$24,416	\$36,171	\$11,755
Total Business – type Activities	\$24,416	\$36,171	\$11,755
Total	\$151,569	\$56,099	(\$95,470)

Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business – Type Activities</u>	<u>Total</u>
Net (Expense) Revenue	(\$107,225)	\$11,755	(\$95,470)
General Revenues:			
Property taxes	32,670		32,670
Federal shared revenues	156,488		156,488
State-Shared revenues	57,884		57,884
Investment income	3,994	2,017	6,011
Sewer assessments		3,770	3,770
Other	17,731		17,731
Total General Revenues and Transfers	\$268,767	\$5,787	\$274,554
Changes in Net Assets	\$161,542	\$17,542	\$179,084
Net Assets at Beginning of Year	320,170	174,150	494,320
Net Assets at End of Year	\$481,712	\$191,692	\$673,404

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP  
BALANCE SHEET  
GOVERNMENTAL FUNDS

March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$129,831	\$39,196	\$169,027
Accounts receivable-net	14,905	70,329	85,234
Delinquent taxes receivable	2,626	1,865	4,491
Due from other funds	10	958	968
Accrued interest income	389		389
Deferred charges	9,291		9,291
TOTAL CURRENT ASSETS	\$157,052	\$112,348	\$269,400
NON-CURRENT ASSETS			
Restricted cash			
TOTAL NON-CURRENT ASSETS			
TOTAL ASSETS	\$157,052	\$112,348	\$269,400
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$13,906	\$79,087	\$92,993
Accrued wages/taxes	5,819		5,819
Due to other funds	709		709
TOTAL CURRENT LIABILITIES	\$20,434	\$79,087	\$99,521
TOTAL LIABILITIES	\$20,434	\$79,087	\$99,521
<b>FUND EQUITY</b>			
Reserved	16,432		16,432
Unreserved	120,186	33,261	153,447
TOTAL FUND BALANCES	\$136,618	33,261	\$169,879
TOTAL LIABILITIES & FUND BALANCES	\$157,052	\$112,348	\$269,400

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS

Year ended March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Taxes	\$16,878	\$15,603	\$32,481
Other taxes	189		189
Tax administrative fees	7,644		7,644
Licenses and permits	2,530		2,530
Rentals	7,629		7,629
Federal shared revenues	9,238	147,250	156,488
State shared revenues	60,009		60,009
Donations	5,000	8,750	13,750
Interest	3,994		3,994
Other revenue	3,981		3,981
	<hr/> \$117,092	<hr/> \$171,603	<hr/> \$288,695
<b>EXPENDITURES</b>			
Legislative	\$17,295	\$	\$17,295
General government	46,956		46,956
Public safety	17,527	173	17,700
Public works	5,907		5,907
Recreation and culture	11,277		11,277
Other	3,653		3,653
Capital outlay	8,218	156,000	164,218
Debt service		12,668	12,668
	<hr/> \$110,833	<hr/> \$168,841	<hr/> \$279,674
<b>EXCESS OF REVENUES (EXPENDITURES)</b>	6,259	2,762	9,021
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to/from other funds			
<b>EXCESS OF REVENUES (EXPENDITURES) AND OTHER FINANCING USES</b>	\$6,259	\$2,762	\$9,021
Fund Balance at 3/31/2006	130,359	30,499	160,858
<b>FUND BALANCE 3/31/ 2007</b>	<hr/> <b>\$136,618</b>	<hr/> <b>\$33,261</b>	<hr/> <b>\$169,879</b>

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP  
RECONCILIATION OF THE GOVERNMENTAL FUND TYPES STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
WITH THE STATEMENT OF ACTIVITIES

March 31, 2007

Continued

Total fund equity of governmental activities	\$169,879
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Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Additions:

Capital assets used in governmental activities are not  
Financial resources and therefore are not reported as  
assets in Governmental funds.

Cost of capital assets	477,494	
Accumulated depreciation	(20,712)	456,782

Reductions:

Long-term liabilities are not due and payable in the  
current period and therefore not reported as liabilities in  
the funds.

Note payable	(142,500)	
Accrued interest payable	(2,449)	(144,949)

Total Net Assets of Governmental Activities	\$481,712
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The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND

March 31, 2007

<b>ASSETS</b>	<b><u>Totals</u></b>
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$94,422
Accounts receivable-net	16,297
Accrued interest income	151
Deferred charges	741
Total Current Assets	<u>\$111,611</u>
<b>NONCURRENT ASSETS:</b>	
Property, plant and equipment	443,838
Accumulated depreciation	(362,788)
Total Non-Current Assets	<u>81,050</u>
<b>TOTAL ASSETS</b>	<u><b>\$192,661</b></u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$170
Accrued wages/taxes	550
Due to other funds	249
Total Current Liabilities	<u>\$969</u>
Total Liabilities	<u>\$969</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	81,050
Unreserved	110,642
TOTAL NET ASSETS	<u>\$191,692</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$192,661</b></u>

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN  
NET ASSETS - PROPRIETARY FUNDS TYPE  
Year ended March 31, 2007

Business type Activities - Enterprise Fund		
		<u><b>Total</b></u>
<b>Operating revenues:</b>		
Charges for services		\$36,171
	Total Operating Revenues	\$36,171
<b>Operating expenses:</b>		
Wages and taxes		\$4,660
Purchase of services		2,140
Provision for depreciation		11,311
Operating supplies/maintenance		2,947
Utilities		2,746
Office supplies		279
Transportation		333
	Total Operating Expenses	\$24,416
	Operating income (loss)	\$11,755
 Non-operating revenues (expenses)		
Interest income		2,017
Sewer assessment		3,770
		\$5,787
 Change in Net Assets		\$17,542
Net Assets - March 31, 2006		174,150
 <b>NET ASSETS – MARCH 31, 2007</b>		 <u><b>\$191,692</b></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS TYPES  
 STANNARD TOWNSHIP  
 Year ended March 31, 2007

Business type Activities - Enterprise Fund	
	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$49,814
Payments to employees and suppliers for goods and services	(14,693)
Net Cash Provided (Used) by Operating Activities	35,121
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Sewer assessment	3,770
Purchase of equipment	(992)
Net Cash Provided (Used) for Capital and Related Financing Activities	2,778
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received on investments	2,017
Net Cash Provided (Used) by Investing Activities	2,017
Net Increase (Decrease) in Cash	39,916
Cash and Cash Equivalents, March 31, 2006	54,506
<b>CASH AND CASH EQUIVALENTS, March 31, 2007</b>	<b><u>\$94,422</u></b>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$11,755
Adjustments to reconcile income (loss) to net cash provided (used) by operating activities:	
Depreciation/amortization	11,311
Change in assets and liabilities:	
Accounts receivable	13,643
Accrued interest income	(86)
Deferred charges	(618)
Accounts payable	(1,134)
Accrued wages/taxes	250
Net Cash Provided by Operating Activities	<u>\$35,121</u>

Noncash investing, capital and financing activities: None

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
Year ended March 31, 2007

Agency Funds			
	<u>Tax Fund</u>	<u>Pension Fund</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$10	\$18,304	\$18,314
Due from other funds			
TOTAL ASSETS	<u>\$10</u>	<u>\$18,304</u>	<u>\$18,314</u>
LIABILITIES			
Due to other funds	\$10		\$10
TOTAL LIABILITIES	<u>\$10</u>		<u>\$10</u>
NET ASSETS			
Held in trust for pension benefits		\$18,304	\$18,304
NET ASSETS		<u>\$18,304</u>	<u>\$18,304</u>
TOTAL ASSETS AND NET ASSETS	<u>\$10</u>	<u>\$18,304</u>	<u>\$18,314</u>

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PENSION FUND  
Year ended March 31, 2007

	Agency Funds
<b>ADDITIONS</b>	
Contributions	\$5,077
Interest income	671
Total Additions	<u>\$5,748</u>
<b>DEDUCTIONS</b>	
Benefits	<u>(7,590)</u>
Changes in Net Assets	(\$1,842)
Net Assets at Beginning of Year	\$20,146
Net Assets at End of Year	<u>\$18,304</u>

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Stannard Township operates with an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services.

The Township complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements are the fund financial statements for the proprietary funds. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is place on major funds within the governmental and proprietary categories. A fund is considered major if its the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds in that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

General Fund - is the primary operating fund of the Township and always classified as a major fund. This fund is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

Fire Fund (Special Revenue Fund) – is used to account for fire fund activities and is recognized as a major fund. A separate tax levy has been approved to fund capital outlays and debt service payments.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds report operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The funds are used to account for utility operations in a manner similar to private business enterprises. The intent of the Township is to recover operating expenses, including depreciation, through user charges.

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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FIDUCIARY FUND TYPE (Not included in government-wide statements)

Agency Funds - These funds are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. They include the Tax Collection Fund and the Pension Fund. These funds are custodial in nature and do not involve measurement of results of operations. The Pension Fund is a trust fund used to account for the accumulation of resources to be used for the retirement benefit payments to retired board members.

MAJOR AND NONMAJOR FUNDS

The governmental and enterprise funds of the Township are further classified as major funds as follows:

	<u>Fund</u>	<u>Brief Description</u>
	<u>MAJOR FUNDS</u>	
1. General		See above for description.
	Special Revenue:	
2. Fire		Account for special tax levies and grant and loan proceeds in the purchase of fire equipment.
	Enterprise	
3. Sewer		Account for revenues and expenses of providing public Sewer services.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.

#### Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end except for State Shared Revenues collected after sixty days which are earmarked for the period under audit. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

#### ASSETS, LIABILITIES, AND EQUITY

##### Cash and Investments

For the purpose of the Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the Township. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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#### Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statements. Exceptions to this general rule are charges between the government’s sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. See Note E for details of interfund transactions, including receivables and payable at year-end.

#### Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, delinquent property and tax administrative fees, and federal grant receivable. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include service revenue accruals since they are usually both measurable and available. Interest and investment earnings are recorded when accrued. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received and refund on overpayment of debt service payment. Utility accounts receivable compose the majority of proprietary fund receivables. No allowances for uncollectible accounts receivable are recognized since any delinquencies can be placed upon the tax roll.

#### Inventories

Inventories of Governmental Fund and Proprietary Fund types are considered to be immaterial and are not recognized. All purchases of supplies are expensed upon purchase.

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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#### Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

#### Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with initial individual costs of \$2,000 and \$500 for capital betterments and equipment additions. All fixed assets are valued at historical costs or estimated cost, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Capital assets for proprietary funds are recognized on assets costing over \$250 and with a useful life of over three years. The Township, in adopting GASB 34, elects to recognize capital assets acquisitions as described above effective as of April 1, 2004. The Township otherwise has not maintained a listing of government fund assets on prior years acquisitions. Infrastructure improvements costing over \$5,000 are being capitalized effective April 1, 2004.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets for governmental funds. Depreciation has been provided over the useful lives using the straight-line method of depreciation. The estimated useful lives for each major class of depreciable fixed assets are as follows:

Land	Not depreciated
Buildings and improvements	40-50 Years
Utility Systems	40 Years
Equipment	7-10 Years
Vehicles	20 Years
Infrastructure (ROW)	20 Years

#### Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements. Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' statement of net assets. Depreciation has been provided over the useful lives using the straight-line method of depreciation.

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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#### Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to cash accounts established to be used for capital outlay projects.

#### Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations of proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of note payable to USDA Rural Development. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

#### Equity Classifications

##### Government-wide Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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#### Fund Statement

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

#### Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and components units, with the exception of fire department fund raising activities that are controlled by the fire department with no disclosure to the governing Township Board.

#### Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County and School District. The Township records delinquent real property taxes as revenue upon levy; since the County will sell tax notes and remits monies to the various units of government shortly after year end.

#### Budgets

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted prior to the fiscal year by the majority vote of the Township Board.
5. The budgets are adopted on the accrual basis of accounting.

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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6. Any revisions to the budgeted amounts must be approved by a majority vote of the Township Board.
7. Budget appropriations lapse at the end of each fiscal year.
8. Budgeted amounts presented in the financial statements are as originally adopted and amended by the Township Board.

Formal budgets for all special revenue funds were available, except for the Fire Fund. Budgets were adopted for the Proprietary Fund type, but are not required.

#### Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Proprietary Fund Type consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

#### Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods, and/or services. It also includes are revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Expenditures/Expenses

In government-wide financial statements, expenses are classified by function for governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund – By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

NOTE B – CASH AND INVESTMENT INFORMATION

Statutes authorize the Township to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services: United States government or agency obligation repurchases agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All accounts are in the two banks in the name of the Township.. They are recorded in the Township records at cost. The Township's investments are in accordance with statutory authority. Interest is recorded when the interest is accrued.

Following is a summary of the carrying amount of cash at March 31, 2007:

Cash deposited in banks insured by federal depository insurance	\$189,841
Funds in excess of insurance limits (Uncollateralized)	165,361
Less outstanding items	(91,743)
Total	<u>\$263,459</u>

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

The Township's deposits are in accordance with statutory authority.

Pension Trust Fund investments of \$18,304 were invested in accordance with State of Michigan statutes. Market value at March 31, 2007, was equal to carrying value. The investments are not subject to categorization of credit risk.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable and related allowances for uncollectible as of March 31, 2007 are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
General Fund	\$17,531	\$	\$17,531
Sewer Fund	\$16,297	\$	\$16,297
Fire Fund-SRF	\$72,194	\$	\$72,194

General Fund - generally consists of delinquent tax monies and administrative fees; and state shared revenues. The Fire Fund account receivable consists of federal grant monies and delinquent tax monies. Proprietary Funds - customer unpaid balances. Trade accounts receivable were comprised of the following at March 31, 2007.

Customer billing for the quarter ended March 2007	\$8,822
Delinquent billings and sewer assessments	7,475
Total	<u>\$16,297</u>

Delinquent customer account balances are placed on tax rolls and can be a lien against real property. Receivables are considered to be fully collectible and accordingly, there is no allowance for doubtful accounts.

NOTE D - SUMMARY OF 2006 TAX LEVY

Details of the Township's 2006 property tax levy are as follows:

	<u>Tax Levy</u>	<u>Delinquent Taxes</u>	<u>Net Collected</u>
County/SET	\$393,927	\$53,231	\$340,696
School	294,981	39,454	255,527
Township/ambulance	35,301	5,568	29,733
CFR	3,979	554	3,425
Delinquent utilities	5,405	4,218	1,187
Sewer Assessments	3,771	814	2,957
Totals	<u>\$737,364</u>	<u>\$103,839</u>	<u>\$633,525</u>

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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Taxable valuation - (excluding commercial forest  
reserve lands):

Real property	\$15,977,684
Personal property	<u>1,840,800</u>
	<u>\$17,818,484</u>

Tax rate per \$1,000 valuation:

Township	\$ 1.9798
County	17.8571
Schools	<u>24.3626</u>
	<u>\$ 44.1995</u>

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2007, are as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Funds</u>	<u>Interfund Payable</u>
General-		Tax Fund-	
Tax Fund	\$10	General Fund	\$10
SRF-Fire Fund-		Sewer Fund-	
Sewer Fund	249	Fire Fund	249
General Fund	709	General Fund-	
		Fire Fund	709
Totals	<u>\$968</u>	Totals	<u>\$968</u>

NOTE F - LIQUOR LICENSE REBATES

Liquor license monies totaling \$2,124 were received during the year and were used to defray liquor law enforcement costs incurred in the General Fund. No separate fund has been established since all revenues and enforcements costs are readily identifiable within the General Fund.

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

**NOTE G – CAPITAL ASSETS**

A summary of changes in general fixed assets follow:

<b>Governmental Activities</b>	Balance at March 31, 2006	Additions	Deletions	Balance at March 31, 2007
Capital Assets being Depreciated				
Buildings and improvements	\$13,870	\$4,700	\$	\$18,570
Fire Vehicles	206,046	156,000		362,046
Equipment	59,998	3,518		63,516
Software	2,395			2,395
Infrastructure-roads	30,967			30,967
	<u>\$313,276</u>	<u>\$164,218</u>	<u>\$</u>	<u>\$477,494</u>
Less Accumulated Depreciation	(2,107)	(18,605)		(20,712)
Net	<u>\$311,169</u>	<u>\$145,613</u>	<u>\$</u>	<u>\$456,782</u>

Depreciation expense was charged to programs of the primary government as follows:

General Government	\$ 527
Public Safety	16,301
Public Works	1,548
Recreation & Culture	<u>229</u>
Totals	<u>\$18,605</u>

**NOTE H - ENTERPRISE FUNDS – CAPITAL ASSETS**

A summary of proprietary fund type property, plant and equipment are as follows:

<b>Business-Type Activities</b>	<b>Sewer Fund:</b>			Balance at March 31, 2007
Capital Assets not Depreciated	Balance at March 31, 2006	Additions	Deletions	
Land and land rights	\$2,000	\$	\$	\$2,000
Capital Assets being Depreciated				
Utility plant	429,791			429,791
Equipment	11,055	992		12,047
Subtotals	<u>\$440,846</u>	<u>\$992</u>	<u>\$</u>	<u>\$441,838</u>
Less Accumulated Depreciation	(351,477)	(11,311)		(362,788)
Net Capital Assets Being Depreciated	<u>\$89,369</u>	<u>(\$10,319)</u>		<u>\$79,050</u>
Net	<u>\$91,369</u>	<u>(\$10,319)</u>	<u>\$</u>	<u>\$81,050</u>

Depreciation is computed using the straight-line method.

Depreciation Expense 2006/2007 \$11,311

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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NOTE I - ACCOUNTS PAYABLE

The General Fund account payables included a contractual service agreement of \$3,900 besides normal operating expenditures. The Fire Fund has a balance due of \$79,087 towards a water truck purchase. Proprietary Fund accounts payable were for normal operating and repairs and maintenance at year end.

NOTE J – LONG-TERM DEBT

A summary of the changes in long-term debt for the year ended March 31, 2006, is as follows:

	<u>Balance at March 31, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at March 31, 2007</u>
Notes payable	\$150,000	\$	\$7,500	\$142,500

On August 16, 2005, the Township issued \$150,000 in municipal bonds purchased by USDA Rural Development to finance the purchase of a fire truck. The bonds bear an interest rate of 4.125% and are being amortized over a 15-year period. The bonds are a general obligation of the Township and have pledged its limited tax full faith and credit in the repayment of the indebtedness. The first principal payment was made on May 1, 2006. The debt service payment schedule is as follows:

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
11/1/2007	\$7,500	\$5,878	\$13,378
11/1/2008	8,000	5,568	13,568
11/1/2009	8,000	5,239	13,239
11/1/2010	8,500	4,909	13,409
11/1/2011	9,000	4,558	13,558
11/1/2012	9,500	4,187	13,687
11/1/2013	9,500	3,795	13,295
11/1/2014	10,500	3,403	13,903
11/1/2015	11,000	2,970	13,970
11/1/2016	11,500	2,516	14,016
11/1/2017	12,000	2,042	14,042
11/1/2018	12,500	1,547	14,047
11/1/2019	12,500	1,031	13,531
11/1/2020	12,500	516	13,016
	<u>\$142,500</u>	<u>\$48,159</u>	<u>\$190,659</u>

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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NOTE K - FUND BALANCE DESIGNATIONS

Reservations of fund balances represent amounts that are legally segregated for a specific purpose. Designations of fund balance of \$15,688 and \$744 represent monies restricted for future road repairs and building code enforcement activities.

NOTE L - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township provides sewage services through an enterprise fund. Segment information as of March 31, 2007, follows:

	<u>Sewage System Fund</u>
Operating revenues	\$36,171
Total operating expenses less depreciation	\$13,105
Depreciation expense	\$11,311
Operating income(loss)	\$11,755
Operating transfers	
Non-operating income and expenses	\$5,787
Capital contributions	
Increase (decrease) in capital assets	
Long term debt	
Unrestricted net assets	\$110,642

NOTE M - DEFINED CONTRIBUTION PENSION

The Township established a money purchase pension plan effective July 1, 1991, recognized by the Internal Revenue Service, for elected officials. The plan is administered by Township Clerk and provides immediate coverage for individuals age 18 and above. The Township makes timely contributions equal to twelve percent of the officer's salaries, which allows for immediately vesting. Loans are not permitted to the participants. The Township Supervisor and Clerk are authorized Trustees of the plan. Total pension expense and administrative fees (cash basis) were \$5,077 for the fiscal year ending March 31, 2007, whereas, the \$18,304 represents fair market value at year end. Additional information was not available for disclosure as required by GASB Statement No. 25.

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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NOTE N - RISK MANAGEMENT

The Township is exposed to various risks of losses related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2007, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four years.

NOTE O – STATE CONSTRUCTION CODE ACT INFORMATION

During the year ended March 31, 2007, the Township collected construction code service fees of \$2,530 and spent \$1,786 for enforcing the code. Because of the Township has the ability to track the full costs and revenues, a separate fund has not been created to account for these monies. The Township has restricted \$744 in their General Fund balance for future code enforcement activities.

REQUIRED  
SUPPLEMENTAL  
INFORMATION

STANNARD TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL  
GENERAL FUND  
Year ended March 31, 2007  
Budgeted Amounts

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$18,500	\$18,500	\$16,878	(\$1,622)
Other taxes	3,320	3,320	189	(3,131)
Tax administrative fees	7,000	7,000	7,644	644
Federal shared revenues	12,000	12,000	9,238	(2,762)
State shared revenues	54,000	54,000	57,884	3,884
Liquor license fees	2,200	2,200	2,125	(75)
Building permits	3,500	3,500	2,530	(970)
Rentals	6,800	6,800	7,629	829
Interest	1,100	1,100	3,994	2,894
Donations			5,000	5,000
Other revenue	3,200	3,200	3,981	781
	<u>\$111,620</u>	<u>\$111,620</u>	<u>\$117,092</u>	<u>\$5,472</u>
<b>EXPENDITURES</b>				
Legislative	\$19,500	\$23,900	\$17,295	\$6,605
General government	43,000	43,770	46,956	(3,186)
Public safety	19,800	19,800	17,527	2,273
Public works	6,500	6,500	5,907	593
Recreation and culture	5,600	5,600	11,277	(5,677)
Other	10,000	10,000	3,653	6,347
Capital outlay	19,900	19,900	8,218	11,682
	<u>\$124,300</u>	<u>\$129,470</u>	<u>\$110,833</u>	<u>\$18,637</u>
EXCESS OF REVENUES (EXPENDITURES)	(12,680)	(17,850)	6,259	24,109
OTHER FINANCING SOURCES (USES)				
Transfers to/from other funds	13,200	13,200		(13,200)
EXCESS OF REVENUES (EXPENDITURES) AND OTHER FINANCING USES	\$520	(\$4,650)	\$6,259	\$10,909
Fund Balance at 3/31/2006	130,359	130,359	130,359	
<b>FUND BALANCE 3/31/2007</b>	<b><u>\$130,879</u></b>	<b><u>\$125,709</u></b>	<b><u>\$136,618</u></b>	<b><u>\$10,909</u></b>

The accompanying notes are an integral part of the financial statements.

OTHER  
FINANCIAL  
INFORMATION

STANNARD TOWNSHIP  
MAJOR GOVERNMENTAL FUND-GENERAL FUND  
STATEMENT OF EXPENDITURES  
BUDGET AND ACTUAL  
For the year ended March 31, 2007

	<b><u>BUDGETED AMOUNTS</u></b>		<b><u>ACTUAL</u></b>	<b><u>VARIANCE</u></b>
	<b><u>ORIGINAL</u></b>	<b><u>FINAL</u></b>		
<b>LEGISLATIVE</b>				
Township Board:				
Trustees Wages			\$2,400	
Pension			2,770	
Office supplies			271	
Professional fees			181	
Transportation			280	
Insurance			10,699	
Memberships			363	
Miscellaneous			331	
<b>TOTAL LEGISLATIVE</b>	<b>\$19,500</b>	<b>\$23,900</b>	<b>\$17,295</b>	<b>\$6,605</b>
<b>GENERAL GOVERNMENT</b>				
<b>SUPERVISOR</b>	4,200	4,200	4,200	
Election:				
Wages			945	
Office supplies			256	
Transportation			194	
Miscellaneous			100	
<b>TOTAL ELECTION</b>	<b>800</b>	<b>1,570</b>	<b>1,495</b>	<b>75</b>
Assessor:				
Wages			6,175	
Office supplies			640	
Transportation			126	
Printing & publishing			1,919	
<b>TOTAL ASSESSOR</b>	<b>9,850</b>	<b>9,850</b>	<b>8,860</b>	<b>990</b>
Clerk:				
Salary			6,600	
Supplies			560	
Professional fees			3,560	
<b>TOTAL CLERK</b>	<b>10,500</b>	<b>10,500</b>	<b>10,720</b>	<b>(220)</b>

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP  
MAJOR GOVERNMENTAL FUND-GENERAL FUND  
STATEMENT OF EXPENDITURES  
BUDGET AND ACTUAL  
For the year ended March 31, 2007

	<b><u>BUDGETED AMOUNTS</u></b>		<b><u>ACTUAL</u></b>	<b><u>VARIANCE</u></b>
	<b><u>ORIGINAL</u></b>	<b><u>FINAL</u></b>		
Board of Review:				
Wages			405	
Miscellaneous			461	
BOARD OF REVIEW	700	700	866	(166)
Treasurer:				
Salary			6,600	
Deputy treasurer			889	
Office supplies			1,267	
Miscellaneous			215	
TOTAL TREASURER	10,200	10,200	8,971	1,229
Township Properties:				
Wages			2,697	
Supplies			101	
Communications			279	
Utilities			2,271	
Repair & maintenance			1,339	
TOTAL TOWNSHIP PROPERTIES	3,500	3,500	6,687	(3,187)
Cemetery:				
Wages			1,300	
Contractual costs			2,310	
Repairs & maintenance			1,261	
Miscellaneous			286	
TOTAL CEMETERY	3,250	3,250	5,157	(1,907)
<b>TOTAL GENERAL GOVERNMENT</b>	<b>\$43,000</b>	<b>\$43,770</b>	<b>\$46,956</b>	<b>(\$3,186)</b>

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP  
MAJOR GOVERNMENTAL FUND-GENERAL FUND  
STATEMENT OF EXPENDITURES  
BUDGET AND ACTUAL  
For the year ended March 31, 2007

	<b><u>BUDGETED AMOUNTS</u></b>		<b><u>ACTUAL</u></b>	<b><u>VARIANCE</u></b>
	<b><u>ORIGINAL</u></b>	<b><u>FINAL</u></b>		
<b>PUBLIC SAFETY</b>				
Fire Department:				
Wages			2,150	
Supplies			960	
Repairs and maintenance			3,960	
Public utilities			3,049	
Training			3,373	
Miscellaneous			510	
<b>TOTAL FIRE DEPARTMENT</b>	<b>13,600</b>	<b>13,600</b>	<b>14,002</b>	<b>(402)</b>
<b>LIQUOR ENFORCEMENT</b>	<b>2,000</b>	<b>2,000</b>	<b>1,239</b>	<b>761</b>
<b>BUILDING INSPECTION</b>	<b>3,700</b>	<b>3,700</b>	<b>1,786</b>	<b>1,914</b>
<b>ZONING BOARD</b>	<b>500</b>	<b>500</b>	<b>500</b>	
<b>TOTAL PUBLIC SAFETY</b>	<b>\$19,800</b>	<b>\$19,800</b>	<b>\$17,527</b>	<b>\$2,273</b>
<b>PUBLIC WORKS</b>				
Street lighting	6,500	6,500	5,907	593
<b>TOTAL PUBLIC WORKS</b>	<b>\$6,500</b>	<b>\$6,500</b>	<b>\$5,907</b>	<b>\$593</b>
<b>RECREATION &amp; CULTURE</b>				
Parks:				
Wages			3,443	
Public utilities			1,866	
Repairs & maintenance			5,277	
Miscellaneous			691	
<b>TOTAL RECREATION AND CULTURE</b>	<b>\$5,600</b>	<b>\$5,600</b>	<b>\$11,277</b>	<b>(\$5,677)</b>

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP  
MAJOR GOVERNMENTAL FUND-GENERAL FUND  
STATEMENT OF EXPENDITURES  
BUDGET AND ACTUAL  
For the year ended March 31, 2007

	<b><u>BUDGETED AMOUNTS</u></b>		<b><u>ACTUAL</u></b>	<b><u>VARIANCE</u></b>
	<b><u>ORIGINAL</u></b>	<b><u>FINAL</u></b>		
<b>TOTAL OTHER</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$3,653</b>	<b>\$6,347</b>
<b>CAPITAL OUTLAY</b>				
Road construction	15,000	15,000		15,000
Township property	900	900	4,700	(1,769)
Parks & recreation	4,000	4,000	3,518	482
<b>TOTAL CAPITAL OUTLAY</b>	<b>\$19,900</b>	<b>\$19,900</b>	<b>\$8,218</b>	<b>\$11,682</b>
<b>TOTAL EXPENDITURES</b>	<b>\$124,300</b>	<b>\$129,470</b>	<b>\$110,833</b>	<b>\$18,637</b>
<b>TRANSFERS TO OTHER FUNDS</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MAJOR FUND  
FIRE FUND

Year ended March 31, 2007  
Special Revenue Fund

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>Revenues:</b>				
Property taxes	\$	\$	\$15,603	\$15,603
Federal shared revenues			147,250	147,250
Donations			8,750	8,750
	\$	\$	\$171,603	\$171,603
<b>Expenditures:</b>				
Public safety equipment	\$	\$	\$156,000	(\$156,000)
Miscellaneous			173	(173)
Debt service				
Principal			7,500	(7,500)
Interest expense			5,168	(5,168)
	\$	\$	\$168,841	(\$168,841)
Excess of Revenues over (under) Expenditures	\$	\$	\$2,762	\$2,762
Other Financing Sources (Uses):				
Transfers from/to other funds				
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses			2,762	2,762
Fund Balance 3/31/2006	30,499	30,499	30,499	
<b>FUND BALANCE 3/31/2007</b>	<b>\$30,499</b>	<b>\$30,499</b>	<b>\$33,261</b>	<b>\$2,762</b>

The accompanying notes are an integral part of the financial statements

**Roger J. Kolehmainen PC CPA**  
1445 East Cloverland Drive  
Ironwood, MI 49938  
(906) 906-3600

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Supervisor and Members of the Board  
Stannard Township  
Bruce Crossing, MI

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Stannard Township as of and for the year ended March 31, 2007, which collectively comprise the Stannard Township's basic financial statements and have issued our report thereon dated August 18, 2007. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Stannard Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements of Stannard Township for the year ended March 31, 2007, we considered the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Stannard Township is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of

internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods are subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions noted in our review are as follows:

1. The Township did not compile a complete listing of government capital assets to assure existence, condition and valuation for control and/or insurance coverage. The Township lacks knowledge as to all of its actual holdings.


Township needs to establish an accurate capital fixed assets ledger in assuring proper valuation is assigned and are adequately insured against various types of losses. The Township has increased its insurance coverage on various real and personal property with assistance from its insurance carrier. A complete listing of all assets holdings is still unavailable.

2. The Township's Fire Department fund raising activities pursued in the Township's name and other bank accounts will need to be included in the Township's annual audit unless a separate legal entity has been utilized and recognized as being eligible to receive such monies.
3. The Township Board understated the beginning Fund Balances in preparing their General Fund budget. This information may have influence the Board, as well as, the general public in determining funding priorities. We were not unable to locate the General Appropriation Act and salary resolutions nor the adopted budget for the Fire Fund as required. Michigan Public Act 621 of 1978 provides specific guidance in preparing budgets and budget amendments to avoid non-compliance.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We consider item one and two to be a material weakness.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.

August 18, 2007

  
Roger J. Kolehmainen PC  
Certified Public Accountant